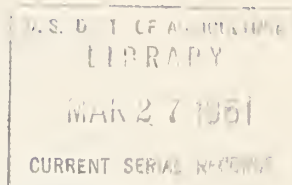


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Milk Distributors



Sales and Costs

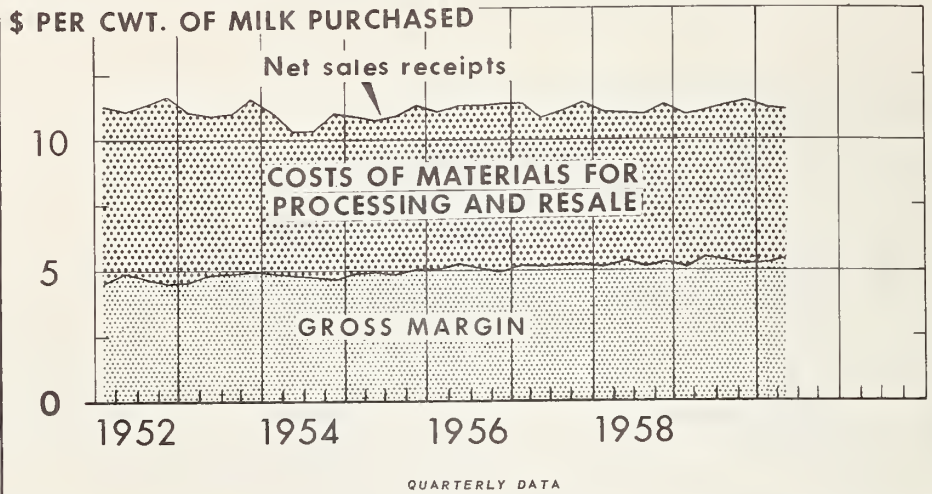
April-June 1960

U. S. DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Marketing Economics Research Division

MDSC No. 15

Fluid Milk Processing-Distributing Firms

NET SALES, COST OF MATERIALS, AND GROSS MARGIN



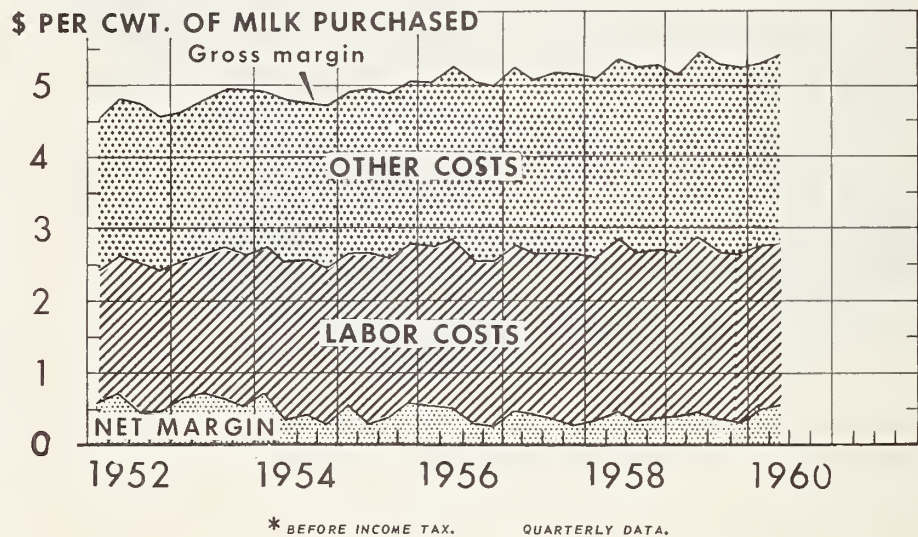
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NEG. 3996-60 (9) AGRICULTURAL MARKETING SERVICE

Figure 1

Fluid Milk Processing-Distributing Firms

OPERATING COSTS



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Figure 2

MILK DISTRIBUTORS' SALES AND COSTS
April-June 1960

By D. D. MacPherson and Helen V. Smith
Marketing Economics Research Division
Agricultural Marketing Service

: This report is the current issue of a series based upon information :
: obtained from distributors of fluid milk and cream products. These :
: distributors are subscribers to a cost comparison service which :
: furnished the Department with tabular data for analysis. A uniform :
: accounting system is used, and information is given on standardized :
: forms. Data reported include: Costs and quantities of raw milk :
: and other raw materials; prices and quantities of products sold; :
: and operating costs. :
:
: The firms selected are privately owned, and chiefly single-plant :
: firms. In these characteristics they are considered to be typical. :
: Very small firms, very large firms, national chains, and producer- :
: distributors are not included. :

SALES AND COSTS

In April-June 1960, milk distributors' net sales receipts per 100 pounds of milk and cream processed remained about the same as the previous quarter and were up slightly from a year earlier. Cost of materials for processing and resale was seasonally lower but higher than last year (table 1).

Operating costs were up slightly from January-March 1960 but were lower than April-June 1959. Net margin was higher.

Net Sales Receipts

Milk distributors' net receipts from sales were \$11.17 per 100 pounds of milk and cream processed in the April-June 1960 quarter. (Net sales receipts are gross receipts less discounts, allowances, and returns.) The increase of 7 cents from April-June 1959 continues the upward trend of the last 2 years.

October 1960

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-59, and for the 5 most recent quarters

	Yearly average												1959				1960										
	1952	1953	1954	1955	1956	1957	1958	1959	June	July	Oct.	Jan.	Apr.	1952	1953	1954	1955	1956	1957	1958	1959	June	Sept.	Dec.	Mar.	1960	Apr.
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Net sales receipts 2/.....	11.32	11.12	10.69	10.95	11.22	11.15	11.05	11.16	11.10	11.26	11.34	11.19	11.17														
Cost of materials for processing and resale:																											
Raw milk and cream....	5.85	5.43	5.07	5.12	5.39	5.23	5.13	5.10	4.82	5.01	5.30	5.16	4.88														
Other.....	.82	.86	.83	.89	.76	.77	.70	.80	.85	.97	.82	.76	.89														
Total.....	6.67	6.29	5.90	6.01	6.15	6.00	5.83	5.90	5.67	5.98	6.12	5.92	5.77														
Gross margins 4/.....	4.65	4.83	4.79	4.94	5.03	5.15	5.22	5.26	5.43	5.28	5.22	5.27	5.40														
Operating costs:																											
Salaries, wages, and commissions 3/.....	2.15	2.19	2.21	2.28	2.43	2.50	2.56	2.61	2.64	2.65	2.61	2.63	2.64														
Containers.....	.60	.62	.65	.70	.72	.71	.70	.69	.73	.68	.65	.66	.65														
Operating supplies.....	.30	.32	.35	.32	.28	.29	.29	.29	.29	.30	.30	.30	.30														
Repairs, rent, and depreciation.....	.50	.52	.57	.60	.64	.67	.68	.67	.67	.64	.69	.66	.65														
Taxes.....	.06	.06	.06	.06	.05	.06	.06	.06	.06	.06	.06	.06	.06														
Insurance.....	.02	.02	.03	.04	.04	.04	.04	.04	.04	.04	.04	.05	.05														
Services.....	.16	.19	.19	.18	.17	.17	.17	.17	.18	.20	.17	.16	.17														
Advertising.....	.15	.15	.16	.18	.19	.18	.18	.18	.20	.18	.18	.17	.18														
General.....	.15	.13	.13	.14	.16	.15	.16	.16	.14	.15	.18	.14	.15														
Total.....	4.09	4.20	4.35	4.50	4.68	4.77	4.84	4.87	4.95	4.91	4.90	4.83	4.85														
Net margins 4/ .....	.56	.63	.44	.44	.35	.38	.38	.39	.48	.37	.32	.44	.55													
Firms reporting.....	43	51	75	83	80	80	80	80	80	80	80	80	80														

1/ Revised.

2/ Gross sales receipts less discounts, allowances, and returns

3/ Includes State unemployment, Federal old age, workmens' compensation, and employee benefits.

4/ Net returns to owners before income taxes.

Cost of Materials for Processing and Resale

Cost of materials for processing and resale was \$5.77 in April-June 1960. The decrease of 15 cents from the previous quarter was seasonal and, as in previous years, was the net effect of two factors: The cost of raw milk and cream decreased by 28 cents (from \$5.16 to \$4.88) while the cost of other materials for processing and resale increased by 13 cents (from 76 cents to 89 cents). The increase in the "other" component results from the increased volume of frozen products. Total cost of materials for processing and resale was a little more than 1 percent higher than a year earlier.

Correction: In the previous issue (MDSC-14) "other" costs under cost of materials for processing and resale was reported as \$0.65 for the January-March 1960 quarter; the correct amount was \$0.76. The correct total cost of materials for processing and resale was \$5.92, gross margin was \$5.27, and net margin was \$0.44.

Gross margin of milk distributors--net sales receipts less cost of materials for processing and resale--was a little lower than a year earlier. As a percentage of sales receipts, gross margin changed only slightly--from 48.9 percent to 48.4 percent. Even though the decrease was small, it is worth noting since this is the first year-to-year decrease during the 1952-60 period.

Operating Costs

Milk distributors' operating costs were \$4.85 per 100 pounds of milk and cream processed during April-June 1960--2 cents above the previous quarter but 10 cents less than a year earlier.

The year-to-year decrease in operating costs is the first during this series, which began in 1952. It resulted from several factors. Costs of wages, salaries, and commissions have in the past accounted for most of the year-to-year increases. However, in the April-June 1960 quarter, these costs, at \$2.64, remained the same as in the April-June 1959 quarter.

Container costs were 65 cents, 8 cents below a year earlier and continuing the downward trend of the past 4 years. Costs of individual containers have increased during this period but this has been more than offset by the shift to larger containers which cost less per unit of product. The remainder of the 10-cent drop in total operating costs resulted from slight decreases in advertising and in repairs, rent, and depreciation.

Fluid milk distributors' net margin--the amount available for return on investment and payment of income taxes--was 55 cents per 100 pounds of milk and cream processed. The increase of 7 cents from a year earlier was the net result of a decrease of 3 cents in the gross margin and a decrease of 10 cents in operating costs.

PRODUCTS HANDLED AND SALES OUTLETS

The relative importance of the different products handled by milk distributors and the relative importance of different sales outlets have shifted continuously during the 1957-60 period (table 2 and figs. 3 and 4). Generally, there has been a shift to homogenized whole milk, skim milk, and low-fat milk and away from creamline and special milk. (See also MDSC-3, MDSC-6, MDSC-12, and MDSC-13.)

During this same period (1957-60), wholesale sales increased slightly in relative importance and retail sales declined.

Products Handled

Sales of homogenized milk accounted for 73.8 percent of total pounds of product sold in the January-March quarter of 1960 as compared to 68.3 percent in April-June 1957. During this period, sales of skim milk, low-fat milk, and half-and-half increased by a third in relative importance. Sales of creamline and special milk decreased by about two-fifths. Buttermilk and chocolate milk did not change in importance.

Among the manufactured dairy products cottage cheese remained about the same in importance but ice cream and other products declined. Part of the decline in ice cream was due to seasonal factors: Frozen products are less important in the January-March quarters than in the April-June quarters (see MDSC-14). These are the only two quarters for which this analysis is available.

Nondairy products remained unchanged during the period.

Sales Outlets

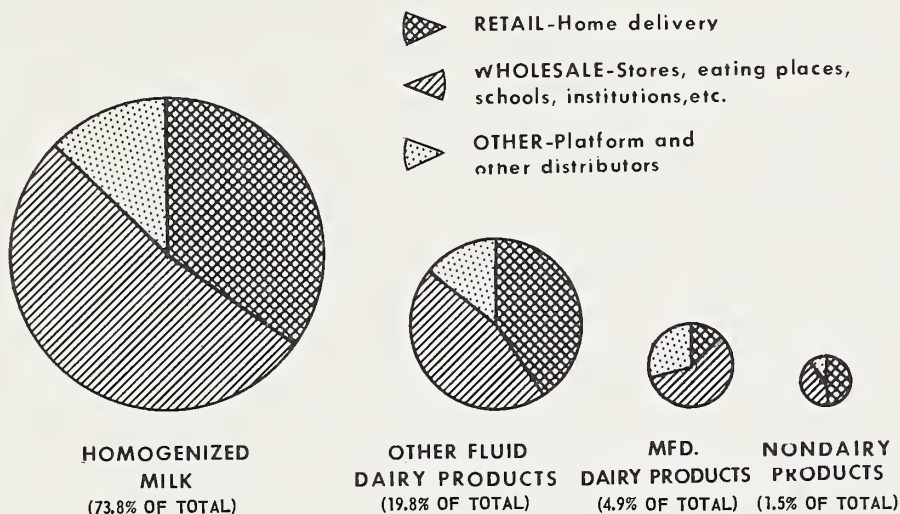
Retail sales accounted for 36.8 percent of total sales in January-March 1960, a drop of 1.5 percentage points from April-June 1957; wholesale sales rose 2.1 percentage points to 51.3 percent, and other sales dropped 0.6 percentage point to 11.9 percent. These changes are so small that they cannot be considered as significant.

For example, the change in percentage of volume sold at retail (home delivery) and at wholesale does not necessarily indicate that householders are shifting to stores for their milk supply. The slight change may have resulted from increased wholesale sales to eating places, schools, and institutional outlets rather than to stores for resale.

Among products, the most important changes were the increased sales of homogenized milk to both retail and wholesale outlets and the decreased sale of creamline milk to retail outlets.

MILK DISTRIBUTORS' SALES OUTLETS

For Major Product Categories as Percent of Total Sales, Jan.-Mar. 1960



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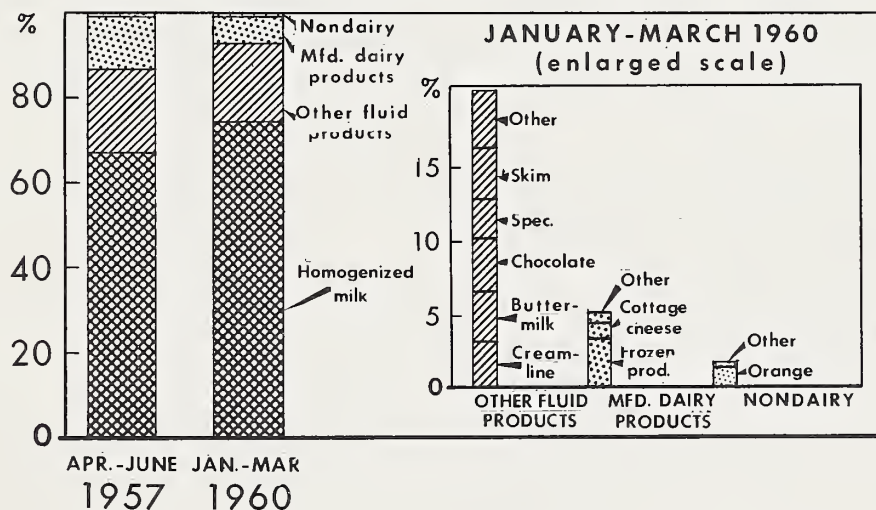
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Figure 3

MILK DISTRIBUTORS' SALES

Products Handled as Percent of Total Sales



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Figure 4

Table 2.--PRODUCTS HANDLED AND SALES OUTLETS: Milk distributors' sales-- pounds of product as percentage of total pounds, all products, January-March 1960

Product	: Retail :Wholesale: Other :Total all : sales : sales : sales 1/ : sales
	: <u>Percent</u> <u>Percent</u> <u>Percent</u> <u>Percent</u>
Fluid dairy products	:
Homogenized.....	27.4 38.9 7.5 73.8
Cream line.....	2.1 .6 .2 2.9
Buttermilk.....	.8 2.2 .4 3.4
Chocolate.....	.6 2.6 .6 3.8
Special.....	2.0 .3 .1 2.4
Skim.....	1.9 1.1 .3 3.3
Other milk and cream 2/.....	.7 2.1 1.2 4.0
Total fluid dairy products.....	35.5 47.8 10.3 93.6
Manufactured dairy products	:
Ice cream and ice cream products...	.3 1.9 .9 3.1
Cottage cheese.....	.1 .6 .4 1.1
Other 4/.....	.2 .4 .1 .7
Total manufactured dairy products.....	.6 2.9 1.4 4.9
Nondairy products	:
Orange juice and drinks.....	.5 .6 .1 1.2
Eggs.....	.2 3/ --- .2
Other 5/.....	3/ 3/ .1 .1
Total nondairy products.....	.7 .6 .2 1.5
Total all products.....	36.8 51.3 11.9 100.0

1/ Platform sales and sales to other distributors.

2/ Cereal, coffee, whipping, and sour cream; half-and-half, eggnog, and low-fat milks.

3/ Less than 0.05 percent.

4/ American and other types of cheese, dry milk, yogurt, butter, aerated cream, margarine, and other miscellaneous items.

5/ Other nonmilk bottled drinks.